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TAGS: [PREL](#) [PGOV](#) [ECON](#) [IR](#) [IZ](#) [SW](#)
SUBJECT: FM BILDT AND U.S. OFFICIALS DISCUSS IRAQ, IRAN

Classified By: Amb. Michael Wood for reasons 1.4 (B) & (D).

¶1. (C) Summary: On May 28, the day prior to the International Compact with Iraq (ICI), Deputy Secretary of Treasury Robert Kimmitt and Amb. Ryan Crocker, accompanied by Amb. Wood, met with FM Carl Bildt and other MFA officials. Crocker briefed Bildt on the improving situation in Iraq. Bildt announced that Scania, a Swedish bus manufacturer, agreed to reopen an assembly plant in Iraq (the MOU was signed May 30). Bildt jokingly criticized French FM Kouchner for skipping the ICI. Bildt said a key to unlocking negotiations with Iran is offering a security guarantee. End summary.

Iraq Stability

¶2. (C) Bildt said with at least 100,000 Iraqis residing in Sweden, hosting the International Compact with Iraq (ICI) is an important first step in building a stronger Iraq-Sweden relationship. He joked that French FM Kouchner's non-attendance at the ICI could label him as a "traitor to democracy and freedom."

¶3. (C) Referencing the NIE on Iraq from September 2007, Bildt asked Crocker if the security situation in Iraq continued to improve as the NIE predicted. Crocker said the NIE estimate was on the low side; the offenses launched in March in Mosul, Basra and Baghdad are contributing to greater security. Crocker updated Bildt on the situation in Mosul and Basra, commending PM Maliki for demonstrating his toughness as a leader by taking on Iranian-backed insurgents in Basra.

¶4. (C) Crocker said Iraq will have provincial elections in the fall--perhaps not by October, the target date, but soon. He explained that the Kurds will be more supportive of a decentralized Iraq as they take a long-term look at the situation.

¶5. (C) Bildt asked if there has been a fundamental shift towards stability. Crocker replied there has been an incremental improvement since last spring, after four years of a vicious circle. Bildt said the situation is much improved from his visit to Baghdad in September 2007. They agreed that Maliki's leadership is stronger than ever and his relationship with the Kurds has improved.

Iraq's Economy

¶6. (C) Kimmitt responded to Bildt's general question about the oil sector. He said 2008 oil revenues are estimated at USD 70 billion; with such, Iraq does not need any longer significant foreign aid, but rather technical assistance to support a reorientation of its economy to increase production capacity and deliver infrastructure and essential services.

¶7. (C) Bildt proudly announced that Scania, the Swedish

manufacturer of buses, trucks and diesel engines, was to sign an MOU to reopen a bus assembly plant in Iraq.

Turkey and Iran

¶8. (C) Bildt stressed the need for Turkish-Iraqi engagement and the importance of preserving stability in Ankara. Crocker said dialogue is moving forward and both countries understand the need to push back on Iran when it asserts itself. Bildt replied Washington is sending an unclear message for NGO opinions are drowning out USG policy on the global stage.

¶9. (C) Turning to Iran, Kimmitt said Iran's economic problems are affecting political change. Bildt opined that increasing political problems could push Iranian FM Mottaki out of office. He said security guarantees to Iran, e.g. an agreement not to invade, could be a "key to unlocking negotiations with Iran."

¶10. (U) This cable was cleared by Deputy Secretary of Treasury Kimmitt.
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